

Message Text

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TAGS: ETRD, EAIR, UK

SUBJ: ROLLS ENGINE FOR BOEING 747

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1. SUMMARY: THIS REPORT SUMMARIZES DEVELOPMENT SINCE REFTEL (A) CONCERNING PRATT AND WHITNEY AND EMBASSY EFFORTS TO HEAD OFF SALE OF ROLLS-ROYCE RB211-524 ENGINES FOR USE ON BOEING 747S. LATEST INFORMATION, HOWEVER, WOULD INDICATE THAT PLANS FOR ROLLS POWERED 747S STILL FIRMLY ON TRACK, PROVIDED GOVERNMENT DECIDES TO FUND PRODUCTION OF DASH 524 FOR USE ABOARD LOCKHEED TRISTARS. DECISION ON THIS EXPECTED VERY SOON. END SUMMARY.

2. AS REQUESTED REFTEL (B), WE DELIVERED AIDE MEMOIRE TO HITCH, ACTING HEAD, MARINE AND TRANSPORT DEPARTMENT, FCO, ON AUGUST 29. HITCH SAID HE WOULD ENSURE THAT PAPER WOULD BE GIVEN APPROPRIATE DISTRIBUTION WITHIN FCO AND TO OTHER UKG DEPARTMENTS. HITCH DID NOT COMMENT ON SUBSTANCE OF PAPER EXCEPT TO OBSERVE THAT, IN GENERAL, IT NOT UKG POLICY TO TELL STATE OWNED CORPORATIONS WHAT EQUIPMENT TO BUY AND THAT FURTHERMORE CERTAIN EEC OBLIGATIONS PREVENTED UKG FROM DIRECTING

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GOVERNMENT CORPORATIONS TO BUY DOMESTIC PRODUCTS.

3. IN OTHER DEVELOPMENTS, HENRY MARKING, MANAGING DIRECTOR, BRITISH AIRWAYS, TOLD US ON SEPTEMBER 4 HE HAD HAD WHAT HE DESCRIBED AS AN "UNFRUITFUL" MEETING WITH PRATT AND WHITNEY (P/W) EXECUTIVES EARLIER IN WEEK. MARKING TOLD P/W BRITISH AIRWAYS HAD ALREADY DECIDED THAT IF RB-211-524 ENGINE IS PRODUCED, AIRLINE WANTED THAT ENGINE INSTALLED ON ANY NEW 747S THE AIRLINE ORDERS. FURTHERMORE, HE SAID THIS DECISION TAKEN WITHOUT ANY GOVERNMENT PRESSURE WHATSOEVER TO DO SO. MARKING WAS CLEARLY ANNOYED WITH P/W OFFICIALS BECAUSE THEY SEEMED TO REFUSE TO ACCEPT EITHER OF MARKING'S STATEMENTS AND, PARTICULARLY WITH REGARD TO SECOND STATEMENT, APPEARED TO BE CALLING INTO QUESTION MARKING'S VERACITY.

4. P/W OFFICIALS LATER CONFIRMED TO US THAT THEY HAD HAD UNSUCCESSFUL MEETING WITH MARKING AND THEY ACKNOWLEDGED THEY HAD QUITE OPENLY REFUSED TO ACCEPT MARKING'S WORD THAT NO GOVERNMENT PRESSURE BEING APPLIED TO AIRLINE. P/W ALSO DESCRIBED MEETING THEY HAD WITH UKG. DEPARTMENT WILL RECALL THAT P/W HAD SENT TELEGRAM TO INDUSTRY SECRETARY BENN REQUESTING MEETING WITH HIM TO DISCUSS POSSIBILITY OF WORKING OUT AN OFF-SET WORK AGREEMENT WITH ROLLS-ROYCE PROVIDED R-R AGREED NOT TO PROCEED WITH PRODUCTION OF -524 ENGINE FOR 747S. BENN'S OFFICE REPLIED THAT BENN NOT AVAILABLE FOR SUCH A MEETING WITHIN TIME FRAME PROPOSED BY P/W BUT THAT INSTEAD P/W SHOULD MEET WITH DAVID JONES, DEPUTY SECRETARY FOR AEROSPACE, TO DISCUSS PROPOSAL. JONES OPENED THAT MEETING BY STATING THAT HE WANTED TO MAKE CLEAR TO P/W AT OUTSET THAT UKG IS NOT APPLYING ANY PRESSURE ON BRITISH AIRWAYS REGARDING ITS CHOICE OF ENGINE FOR NEW 747S. ABOUT HALF-WAY THROUGH MEETING, JONES DEPARTED SAYING HE HAD ANOTHER COMMITMENT, LEAVING P/W PRESIDENT TORELL AND OTHER P/W EXECUTIVES TO DISCUSS PROPOSAL WITH SECOND AND THIRD LEVEL CIVIL SERVANTS.

5. IRRITATED BY THIS TREATMENT AND CONVINCED COMPANY'S PROPOSAL NOT BEING GIVEN CONSIDERATION IT DESERVED, P/W ASKED EMBASSY TO TRY TO SET UP MEETING FOR TORELL WITH INDUSTRY SECRETARY BENN EITHER SEPT. 7 (SATURDAY) OR 9 WHEN TORELL AND OTHER P/W EXECUTIVES COULD RETURN TO LONDON AFTER VISIT TO SCANDINAVIA. CHARGE FOUND BENN UNAVAILABLE BOTH DAYS SO HE LIMITED OFFICIAL USE

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ASKED LORD BESWICK, MINISTER OF STATE FOR INDUSTRY, TO WORK IN MEETING WITH TORELL ON SEPTEMBER 9. WHEN WE INFORMED P/W (BY NOT IN STOCKHOLM) OF BESWICK APPOINTMENT WE WERE TOLD THAT TORELL NOW HAD COMMITMENT TO RETURN TO US ON SEPTEMBER 7. WE RECOMMENDED HE ALTER HIS PLANS BUT WERE TOLD HE COULD NOT AND THAT INSTEAD OF TORELL, HUGH CRIM, VP FOR MARKETING AND HAMES KENNEDY, DIRECTOR, INTERNATIONAL MARKETING, WOULD MEET WITH BESWICK.

6. AFTER MEETING WITH BESWICK, P/W EXECUTIVES LEFT LONDON WITHOUT DEBRIEFING EMBASSY ON RESULTS BUT WE LEARNED FROM UNITED AIRCRAFT REP THAT BESWICK TOLD P/W ITS OFFER INTERESTING BUT HE THOUGHT PLANS FOR DASH 524 ENGINE VERSION FOR USE ON 747 TOO FAR ADVANCED FOR UKG TO CHANGE. THIS WOULD TEND TO CONFIRM RECENT PRESS REPORTS STATING THAT, UNDER PRESSURE FROM BOTH LOCKHEED AND BOEING, UKG INTENDS TO ANNOUNCE DECISION VERY SOON TO FUND PRODUCTION OF DASH 524 ENGINE.

7. COMMENT. P/W CERTAINLY CAN DRAW LITTLE OR NOT ENCOURAGEMENT FROM MOST RECENT ROUND OF TALKS WITH BRITISH AIRWAYS AND UKG EXCEPT PERHAPS IN FACT THAT UKG HAS NOT YET ANNOUNCED DECISION TO BUILD DASH 524 ENGINE AND AIRLINE HAS NOT ANNOUNCED FIRM ORDERS FOR ROLLS POWERED 747S. UNTIL THOSE ANNOUNCEMENTS MADE, P/W CAN CONTINUE TO HOPE THAT SOMETHING WILL COME UP THAT WILL ALTER PRESENTLY GLOOMLY PROSPECT. IT ALWAYS POSSIBLE, ALTHOUGH PERHAPS NOT LIKELY, THAT IN CURRENT PRE-ELECTION ATMOSPHERE, THE DASH 524 DECISION WILL SLIP AFFORDING P/W AN OPPORTUNITY TO REGROUP FOR ANOTHER EFFORT TO INFLUENCE UKG AND BRITISH AIRWAYS DECISIONS. WITH REGARD TO BRITISH AIRWAYS PREFERENCE FOR THE DASH 524 ENGINE FOR ITS 747S, WE BELIEVE AIRLINE, IN REACHING THAT DECISION, WAS PROBABLY INFLUENCED, AMONG OTHER FACTORS BY (A) STRAIGHT-FORWARD COMMERCIAL CONSIDERATION, BY (B) WHAT AIRLINE BELIEVED GOVERNMENT WOULD LIKE IT TO DO, AND (C) WHAT AIRLINE CONSIDERED TO BE OVERALL NATIONAL INTEREST. HOWEVER, IN REACHING ITS DECISIONS, WE DO NOT REPEAT NOT BELIEVE AIRLINE HAS BEEN SUBJECTED TO ANY DIRECT GOVERNMENT PRESSURE TO BY BRITAIN.
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